

# NATURAL RESOURCES

## Overview

**Background.** The Resources Agency is responsible for the state's policies, programs, and activities relating to the conservation, management, and enhancement of California's natural and cultural resources. The Resources Agency is led by the Secretary for Resources and the agency oversees the following departments, commissions, conservancies, and other boards and authorities.

### Departments:

- California Conservation Corps
- Department of Conservation
- Department of Forestry and Fire Protection
- Department of Fish and Game
- Department of Boating and Waterways
- Department of Parks and Recreation
- Department of Water Resources

### Commissions:

- State Lands Commission
- California Coastal Commission
- San Francisco Bay Conservation and Development Commission
- Delta Protection Commission
- Energy Resources Conservation and Development Commission
- Native American Heritage Commission

### Conservancies:

- California Tahoe Conservancy
- State Coastal Conservancy
- Santa Monica Mountains Conservancy
- San Joaquin River Conservancy
- Coachella Valley Mountains Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Baldwin Hills Conservancy
- San Diego River Conservancy
- Sierra Nevada Conservancy

### Other Boards and Authorities:

- Special Resources Programs (Tahoe Regional Planning Agency, Yosemite Foundation Program, and Sea Grant Program)
- Colorado River Board
- Wildlife Conservation Board
- California Bay-Delta Authority

**Governor's Budget.** The Governor's Budget proposes \$3.5 billion to support the Resources Agency in 2006-07. This is \$1.4 billion less than estimated expenditures in the current year due to a reduction in resources bond funds available for appropriation. The General Fund support for

the Resources Agency is expected to increase by over \$140 million in the budget year due to increased funding for lining the All-American Canal, employee compensation costs associated with fire protection, and flood management activities.

<b>Total State Fund Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
State Operations	\$3,247,922	\$3,099,064	-\$148,858	-4.6
Local Assistance	544,338	220,439	-323,899	-59.5
Capital Outlay	1,096,448	202,051	-894,397	-81.6
Total	\$4,888,708	\$3,521,554	-\$1,367,154	-28.0
<b>Funding Source</b>				
General Fund	\$1,388,103	\$1,529,782	\$141,679	10.2
Special Funds	1,770,438	1,596,263	-174,175	-9.8
Bond Funds	1,730,167	395,509	-1,334,658	-77.1
Total	\$4,888,708	\$3,521,554	-\$1,367,154	-28.0

### Highlights

**Infrastructure Bond.** The Governor has proposed a Strategic Growth Plan for the state that includes \$223 billion in infrastructure investments over the next 10 years. Approximately \$68 billion of this proposal is to be funded by new general obligation bonds. The plan includes \$35 billion for flood control and water supply improvements, including \$9 billion in new general obligation bonds, \$5 billion from a new water fee, and \$21 billion in matching funds from the federal government and local governments. This proposal is included in the flood protection and water bond (SB 1166, Aanestad).

The Governor has also proposed a \$6.8 billion public safety bond that includes \$216 million for upgrades to the California Department of Forestry and Fire Protection fire facilities and air attack bases. This proposal is included in the public safety bond (AB 1833, Arambula). Furthermore, the Governor has also proposed a \$2.2 billion bond that contains funding for critical infrastructure needs in various departments across state government. This proposal includes \$215 million for maintenance upgrades at state park facilities. This proposal is contained in the critical infrastructure facilities bond (SB 1163, Ackerman).

The 2006-07 budget does not contain expenditures from these bond proposals.

### Issues

**Infrastructure Bond.** The Legislature may wish to review how the infrastructure investments proposed in the Governor's Strategic Growth Plan will protect and restore the state's natural resources. Specifically, the Legislature may wish to review actual capital improvement needs versus those proposed for funding in the Governor's plan. The Legislature may also wish to

evaluate infrastructure investments that may be added to the bond to enhance protection of the state's natural resources, including investments in habitat conservation planning and conservation easements to protect public trust resources. The 2003 Five-Year Infrastructure Plan identified over \$7 billion in infrastructure needs across the entire Resources Agency. The Legislature may want to consider some of these needs in evaluating the Governor's plan.

**Enforcement.** The California Environmental Protection Agency (Cal-EPA) recently conducted an agencywide review of its enforcement programs. The review revealed inconsistencies and problems with how different departments approached enforcement. Cal-EPA is currently implementing 11 different strategies to improve its enforcement activities. The Legislature may wish to pursue a similar type effort at the Resources Agency. The Resources Agency has several departments that have vast enforcement responsibilities, including the Department of Fish and Game, Department of Water Resources, and the Department of Forestry and Fire Protection. Effective enforcement of the state's environmental protection laws is critical to protecting the state's public trust resources.

## 0540 Secretary for Resources

**Background.** The Secretary for Resources heads the Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

**Governor's Budget.** The Governor's Budget proposes \$50 million to support the Secretary for Resources in 2006-07. This is nearly 40 percent less than estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation and one-time money in the current year for ocean projects. The Secretary for Resources does not receive any General Fund support.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Administration	\$82,298	\$50,819	-\$31,479	-38.3
Total	\$82,298	\$50,819	-\$31,479	-38.3
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Special Funds	3,057	3,072	15	0.5
Bond Funds	78,536	46,983	-31,553	-40.2
<i>Budget Act Total</i>	<i>81,593</i>	<i>50,055</i>	<i>-31,538</i>	<i>-38.7</i>
Federal Trust Fund	184	236	52	28.3
Reimbursements	521	528	7	1.3
Total	\$82,298	\$50,819	-\$31,479	-38.3

### ***Highlights***

**Bond Funds for River Parkways Program.** The Governor's Budget proposes to allocate \$30.9 million in the budget year from Propositions 40 and 50 resources bonds to fund the River Parkways Program.

**Bond Funds for Sierra Nevada Cascade Program.** The Governor proposes to allocate \$11.7 million in the budget year from Proposition 50 resources bonds to fund the Sierra Nevada Cascade Conservation Grant Program.

### ***Issues***

**Funding Resource Management Activities.** Over the past several years, five resources bonds approved by the voters have provided funding for land acquisitions. Despite the increase in habitat, parkland, and open space acquired, there have been significant reductions in the funding available to manage these properties. The lack of basic maintenance funding can result in threats to human health if contamination issues are not addressed on state properties. Furthermore, lack of routine maintenance can result in the deterioration of habitat due to the spread of invasive species and fuels that cause a catastrophic fire threat. In order to start thinking about solutions to this growing problem, the Legislature requested that the Secretary for Resources prepare an options report for funding resource management activities over the long term. Upon receiving this report, the Legislature may wish to review and evaluate the options presented to address this growing need.

**Department of Fish and Game Report.** The Legislature did an extensive review of the Department of Fish and Game's budget over the past year. This process culminated with the request of an extensive report on the department's activities, funding sources, and measured outcomes for each of its programs. The department was to prepare this report in conjunction with the Secretary for Resources. The Legislature may wish to review this report to determine the next steps for addressing the long-standing problems identified at the Department of Fish and Game.

## **3340 California Conservation Corps**

**Background.** The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. In addition to activities traditionally associated with the Corps, like tree planting, stream clearance, and trail building, the Corps responds to emergencies caused by fires, floods, earthquakes, and other natural disasters. The Corps also develops and provides funding for 11 community conservation corps.

**Governor's Budget.** The Governor's Budget proposes \$59.8 million to support the California Conservation Corps in 2006-07. This is a 4 percent decline from estimated expenditure levels in the current year due to a reduction in bond funds available for appropriation. General Fund support for the Corps is proposed to increase by about 40 percent in the budget year due to a

proposal to increase the department's General Fund support and reduce the department's reliance on reimbursements.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Training and Work Program	\$62,320	\$58,865	-\$3,455	-5.5
Capital Outlay	43,655	13,845	-29,810	-68.3
Administration	7,178	7,178	0	0.0
<i>less distributed administration</i>	<i>-7,178</i>	<i>-7,178</i>	<i>0</i>	<i>0.0</i>
Total	\$105,975	\$72,710	-\$33,265	-31.4
<b>Funding Source</b>				
General Fund	\$24,073	\$33,813	\$9,740	40.5
Collins-Dugan California Conservation Corps Reimbursement Account	31,662	23,462	-8,200	-25.9
Other Special Funds	597	621	24	4.0
Bond Funds	5,988	1,896	-4,092	-68.3
<i>Budget Act Total</i>	<i>62,320</i>	<i>59,792</i>	<i>-2,528</i>	<i>-4.1</i>
Public Buildings Construction Fund	43,655	12,918	-30,737	-70.4
Total	\$105,975	\$72,710	-\$33,265	-31.4

### Highlights

**Increased General Fund Support.** The Governor's Budget proposes \$8.4 million General Fund to maintain the Corps operations. Over the past several years, the General Fund portion of their budget has been reduced resulting in a large reliance on reimbursements for work performed. The budget proposal indicates that this level of funding is needed to maintain current operations given the instability of reimbursements.

### Issues

**Fuel Reduction and Fire Training Reimbursement Project.** The 2004-05 budget included \$1.5 million to the Corps to fund a fuel reduction and fire training program. This project would provide fire suppression training for about 75 corpsmembers. This program had not been implemented at the time of budget discussions in 2005. The Legislature may wish to follow up on the implementation of this project.

### 3480 Department of Conservation

**Background.** The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

**Governor's Budget.** The Governor's Budget proposes \$874 million to support DOC in the budget year. This is the same level of funding as is estimated for expenditure in the current year. General Fund support for the department is proposed to be 16 percent less in the budget year due to a one-time transfer from the General Fund to the department's Oil, Gas and Geothermal Administrative Fund due to a recent statute change.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Geologic Hazards and Mineral Resources Conservation	\$27,474	\$22,695	-\$4,779	-17.4
Oil, Gas, and Geothermal Resources	16,951	16,984	33	0.2
Land Resource Protection	44,819	12,839	-31,980	-71.4
Beverage Container Recycling and Litter Reduction	797,670	827,302	29,632	3.7
Office of Mine Reclamation	-	5,363	-	-
Administration	11,301	11,438	137	1.2
<i>less distributed administration</i>	<i>-11,301</i>	<i>-11,438</i>	<i>-137</i>	<i>0.0</i>
<b>Total</b>	<b>\$886,914</b>	<b>\$885,183</b>	<b>-\$1,731</b>	<b>-0.2</b>
<b>Funding Source</b>				
General Fund	\$4,938	\$4,165	-\$773	-15.7
Special Funds	828,050	859,477	31,427	3.8
Bond Funds	42,545	9,964	-32,581	-76.6
<i>Budget Act Total</i>	<i>875,533</i>	<i>873,606</i>	<i>-1,927</i>	<i>-0.2</i>
Federal Trust Fund	1,745	1,779	34	1.9
Bosco-Keene Renewable Resources Investment Fund	872	901	29	3.3
Reimbursements	8,765	8,897	132	1.5
<b>Total</b>	<b>\$886,915</b>	<b>\$885,183</b>	<b>-\$1,732</b>	<b>-0.2</b>

**Highlights**

**Williamson Act Enforcement.** The Governor's Budget proposes \$463,000 to fund five two-year limited-term positions to ensure accurate and timely payment of Williamson Act contract cancellation fees and ensure that state subventions to local governments are based on qualifying contracted lands. The department will reassess its enforcement efforts after the two-year period to determine whether the increased enforcement efforts are justified. The Legislature provided \$350,000 for this purpose in the 2005 budget, but these funds were vetoed by the Governor.

**California Farmland Conservancy Program Grants.** The Governor's Budget proposes \$8.9 million from Proposition 40 for grants to conserve agricultural lands. These funds are available for the planning and voluntary acquisition of agricultural conservation easements.

**Fraud Prevention in the Beverage Container Recycling Program.** The Governor's Budget proposes \$904,000 to fund eight two-year limited-term positions to combat fraud in the Beverage Container Recycling Program. Recent audits by the department found that as many as 90 percent of all claims were fraudulent from some recycling centers and that an estimated \$11 million in fraudulent payments are made annually.

**3540 Department of Forestry and Fire Protection**

**Background.** The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Governor's Budget.** The Governor's Budget provides \$610 million to support CDF in 2006-07. This is approximately 7 percent more than the level of expenditures estimated for the current year. The increase is due to employee compensation costs increases associated with fire protection. General Fund support for the department is also proposed to increase by about 7 percent for the same reason.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Office of the State Fire Marshal	\$14,984	\$14,725	-\$259	-1.7
Fire Protection	745,697	792,864	47,167	6.3
Resource Management	50,001	46,401	-3,600	-7.2
Capital Outlay	85,298	206,577	121,279	142.2
Administration	56,945	57,793	848	1.5
<i>less distributed administration</i>	<i>-56,515</i>	<i>-57,363</i>	<i>-848</i>	<i>0.0</i>
Total	\$896,410	\$1,060,997	\$164,587	18.4
<b>Funding Source</b>				
General Fund	\$550,036	\$591,257	\$41,221	7.5
Special Funds	8,674	9,196	522	6.0
Bond Funds	9,771	9,498	-273	-2.8
<i>Budget Act Total</i>	<i>568,481</i>	<i>609,951</i>	<i>41,470</i>	<i>7.3</i>
Federal Trust Fund	31,302	29,230	-2,072	-6.6
Forest Resources Improvement Fund	3,619	4,718	1,099	30.4
Bosco-Keene Renewable Resources Investment Fund	1,000	-	-	-
Timber Tax Fund	30	31	1	3.3
Public Building Construction Fund	67,205	188,185	120,980	180.0
Reimbursements	224,773	228,882	4,109	1.8
Total	\$896,410	\$1,060,997	\$164,587	18.4

### Highlights

**Employee Compensation.** The Governor's Budget includes \$37 million General Fund to fund increased employee compensation costs associated with funding year-round fire protection statewide.

**Forest Resources Improvement Fund Assumes Revenues from State Forests.** The Governor's Budget estimates that \$15 million in revenue will be generated from the sale of forest products harvested on state forest land in the current and budget years combined. The budget proposes to expend \$4.7 million of these revenues to support forestry programs in 2006-07. The state has received only a minimal amount of revenues from timber harvesting on state forests over the past several years because of the continued lawsuit restricting timber harvesting in



Jackson State Forest. This proposal assumes some resolution of the current moratorium on harvesting in this forest.

**Capital Outlay Upgrades.** The Governor's Budget includes \$138 million for capital outlay projects to upgrade the state's fire protection infrastructure, including \$18.4 million from the General Fund and \$119 million from lease revenue bonds.

**Infrastructure Bond.** The Governor's Strategic Growth Plan includes \$216 million from new general obligation bonds for upgrades to state fire protection facilities and air attack bases. These funds are included in the Governor's bond on public safety-related infrastructure (AB 1833, Arambula). The budget does not assume expenditure of these bond funds in 2006-07.

### **Issues**

**Local Versus State Fire Protection Activities.** The state is responsible for fire protection of approximately one-third (31 million acres) of state lands, which are areas deemed state responsibility areas (SRAs). The SRA the department protects is mainly privately owned forestlands, watersheds, and rangelands. The state does not have primary responsibility for fire protection of structures or general emergency response, as this responsibility belongs to local fire protection and emergency response entities. However, during fire events and other emergency response events, the state typically works collectively with the locals to defend life and property and respond to emergencies. Defending life and property and responding to general emergencies increases state fire protection costs significantly. In some cases, the state does have contracts with local government to provide general emergency response functions. However, CDF's relationship and the allocation of responsibilities with locals has been further blurred now that CDF is providing year-round staffing of fire engines statewide. The Legislature may wish to evaluate the relationship between state fire protection and local services and determine an appropriate funding structure for the evolving services provided by CDF.

**Jackson State Forest Issues Still Unresolved.** The Governor vetoed legislation (SB 902, Chesbro) in 2004 that would have provided temporary relief to the moratorium on timber harvesting at Jackson State Forest. However, since the Governor vetoed this legislation, timber cannot be harvested on Jackson State Forest until the department provides an EIR that satisfies the Court. The department has released a draft EIR, but it is not certain whether the revised plan will satisfy the court or the plaintiff. This results in uncertainty regarding the ability of the department to harvest at Jackson State Forest and collect sufficient revenues to support important state forestry programs. Revenues generated from timber harvesting on state forests is the primary funding source for the department's forestry programs. The Legislature may wish to consider diversifying the funding sources for the state's forestry programs.

**Fuels Management and Fire Prevention Activities.** The 2005-06 budget included \$9 million in additional funding to augment off-season fire protection staffing in Southern California. The department indicated that the increased level of staffing during the off-season would be used to increase fire prevention work. As part of the 2005-06 budget, the Legislature requested a report that detailed the department's plans for increasing fire prevention work, including establishing metrics for measuring performance. The Legislature may wish to review this report and evaluate the extent that fire prevention activities have increased.

**Disabled Veteran Business Contracts.** As part of the 2005-06 budget, the Legislature requested a report from the department on its efforts to contract with certified disabled veteran businesses, as directed by current law. Inconsistent policies were identified, at the department, related to contracting with veteran-owned businesses. The Legislature may wish to review this report and evaluate the department's process for contracting with veteran-owned businesses.

**Equipment Purchases.** The 2005-06 budget included \$10.8 million for ongoing fire-equipment replacement. This was a 150 percent increase to the department's equipment budget. As part of the 2005-06 budget, the Legislature requested a report on the department's actual equipment expenditures. The Legislature may wish to review this report and determine whether the increase in the department's equipment budget is appropriate.

**Infrastructure Bond.** The Legislature may wish to evaluate the actual infrastructure needs identified by the department in the updated Five Year Infrastructure Plan that is forthcoming from the administration. The 2003 Infrastructure Plan identified over \$1 billion in infrastructure needs for the department through 2007-08.

## 3560 State Lands Commission

**Background.** The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

**Governor's Budget.** The Governor's Budget proposes \$21 million in special funds for SLC. This is an increase of \$1.5 million over the estimated expenditures in the current year. This increase is due to a one-time expenditure, in the budget year, to fund remediation of a toxic site owned by the state. General Fund support for the department is also proposed to increase due to this budget proposal.

### *Highlights*

**Liquefied Natural Gas Staffing.** The Governor's Budget proposes \$414,000 in special funds to augment resources to conduct environmental reviews of LNG applications and develop engineering and maintenance standards for liquefied natural gas (LNG) marine terminals. The commission indicates that LNG engineering and maintenance standards comparable to those that exist for ordinary petroleum marine oil terminals do not exist.

**Remediation of Toxic State Lands at Selby.** The Governor's Budget proposes \$1.3 million General Fund to fund the state's portion of remediation work at state-owned land in Selby. These funds will be used to fund shoreline stabilization and water quality monitoring, which are remedies that have been proposed by the Department of Toxic Substances Control.

**Marine Invasive Species Program.** The Governor's Budget proposes \$151,000 to support two new positions to address workload associated with the Marine Invasive Species Program. This program was put in place to regulate ballast water discharges in state waters. The department has received more reporting forms than previously anticipated and the backlog in processing these forms has reduced the department's ability to identify potential violations in a timely manner.

**Issues**

**Tidelands Oil Revenues.** Current law allocates a portion of the state's tidelands oil revenues to various resources programs. These allocations have been suspended by the administration for the past several years and revenues have been transferred directly to the General Fund. There is a long standing disagreement about whether these revenues, which are received from resource extraction activities, should be dedicated to resources-related programs. Current law that allocates tidelands oil revenues to various resource programs is set to sunset in the upcoming budget year. Therefore, the Legislature may wish to evaluate the use of tidelands oil revenues in the future.

**City of Long Beach.** Legislation (Chapters 81 and 521, Statutes of 2005) was enacted as part of the 2005-06 budget that created a new Oil Trust Fund to fund environmental cleanup of the tidelands oil fields in the City of Long Beach. The legislation transferred tidelands oil funds held by the city to the new fund and provides that \$2 million from monthly tidelands oil revenues also be deposited in the fund. The Legislature may wish to review the time frame for abandonment of the oil fields and the actual amount of money needed by the city for cleanup.

**3600 Department of Fish and Game**

**Background.** The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

**Governor's Budget.** The Governor's Budget proposes \$200 million to support DFG in the budget year. This is about 25 percent less than estimated expenditures in the current year due to a reduction in bond funds available for appropriation. General Fund support for the department is proposed to increase by 26 percent to mitigate the impacts of recent legislation that requires funding to be diverted for the hatchery program.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Biodiversity Conservation Program	\$206,640	\$128,837	-\$77,803	-37.7
Hunting, Fishing, and Public Use	44,013	46,375	2,362	5.4
Management of Lands and Facilities	43,047	44,876	1,829	4.2
Conservation Education and Enforcement	49,059	58,515	9,456	19.3
Spill Prevention and Response	30,600	31,544	944	3.1
Capital Outlay	2,250	1,299	-951	-42.3
Administration	33,756	35,236	1,480	4.4
<i>less distributed administration</i>	<i>-33,756</i>	<i>-35,236</i>	<i>-1,480</i>	<i>0.0</i>
<b>Total</b>	<b>\$375,609</b>	<b>\$311,446</b>	<b>-\$64,163</b>	<b>-17.1</b>
<b>Funding Source</b>				
General Fund	\$42,499	\$53,560	\$11,061	26.0
Special Funds	144,442	140,504	-3,938	-2.7
Bond Funds	78,906	6,140	-72,766	-92.2
<i>Budget Act Total</i>	<i>265,847</i>	<i>200,204</i>	<i>-65,643</i>	<i>-24.7</i>
Federal Trust Fund	68,442	68,343	-99	-0.1
Reimbursements	38,928	39,671	743	1.9
Salton Sea Restoration Fund	2,387	2,615	228	9.6
Harbors and Watercraft Revolving Fund	5	5	0	0.0
Special Deposit Fund	-	608	-	-
<b>Total</b>	<b>\$375,609</b>	<b>\$311,446</b>	<b>-\$64,163</b>	<b>-17.1</b>

### Highlights

**Balances Fish and Game Preservation Fund.** The Governor's Budget proposes \$10 million General Fund to balance the Fish and Game Preservation Fund. The Fish and Game Preservation had an existing structural deficit and recent legislation (AB 7, Cogdill) worsened the deficit by requiring one-third of all sport-fishing license fees to be dedicated to achieving fish hatchery production goals and supporting trout restoration programs. The Governor's Budget proposal for balancing the Fish and Game Preservation Fund requires modifications to AB 7.

**Increases in Fish Hatchery Program.** The Governor's Budget proposes expansions to the department's fish hatchery program resulting from the implementation of AB 7 (Cogdill). AB 7

results in approximately \$6 million in additional funding for trout production at fish hatcheries. The budget also includes \$681,000 in additional federal funds and reimbursements for expansions to mitigation hatcheries in the Central Valley to enhance salmon and steelhead hatchery programs.

**Funding for Fisheries Restoration Grant Program.** The Governor's Budget proposes \$4 million General Fund for the Fisheries Restoration Grant program to restore habitat for coho salmon and steelhead trout. These funds will be used to leverage federal funding.

**San Joaquin River Restoration.** The Governor's Budget proposes \$750,000 in special funds to support the first year in a three-year program to support development of a plan to restore anadromous fish on the San Joaquin River below Friant Dam. This program will be coordinated with the Department of Water Resources.

**Enhancing Land Management.** The Governor's Budget provides \$886,000 in Proposition 12 bond funds for various projects to manage and enhance lands owned by the department, including maintaining California Waterfowl Program contracts and controlling noxious weeds in San Diego County. The budget also provides \$1.3 million in special funds for various capital outlay improvements on state lands.

**Enhancement of Bay-Delta Sport Fishing.** The Governor's Budget provides \$1.5 million from special funds to support a program for the long-term sustainable benefit of sport fishing in the San Francisco Bay-Delta. This program is supported by the Bay-Delta Sport Fishing Enhancement Stamp and an advisory committee has recommended several projects to be pursued with this funding, including habitat restoration and public outreach.

**Improving Department Operations.** The Governor's Budget provides \$637,000 to support positions to ensure federal guidelines are followed in expending federal grant funds and to develop and implement a data management system to replace the current paper based licensing system.

## **Issues**

**Improving Information Management.** Historically, DFG has had a difficult time providing sufficiently detailed information to the Legislature on what activities are being supported by its dozens of funding sources. The 2005-06 budget provided DFG with \$200,000 to hire a contractor to assist in re-engineering the department's accounting system and preparing a detailed report to the Legislature on the department's activities, funding sources, and outcomes to determine the level in which DFG is fulfilling its statutory mandates. The Legislature may wish to review the findings of the contractor hired by DFG to determine if improvements can be made in the way the department manages information.

**Fish and Game Preservation Fund.** The department's primary funding source is the Fish and Game Preservation Fund. This fund has dozens of subaccounts, many of which are dedicated to specific purposes. The LAO found that many of these subaccounts were not balanced and funds from dedicated subaccounts were being used to fund other activities at the department. The Legislature requested, as part of the 2005-06 budget, a report on a plan to balance the subaccounts within the Fish and Game Preservation Fund. The Legislature may wish to review this report to determine if the administration has taken sufficient action to balance each subaccount within the Fish and Game Preservation Fund.

**Comprehensive Review of DFG's Activities.** Significant evidence has been gathered over the past 10 years regarding the lack of adequate funding for many of DFG's key programs that protect public trust resources. The department recently released a report entitled *California Wildlife: Conservation Challenges* that highlights the insufficiency of the department's resource assessment and habitat planning resources. In order to get a better handle on the department's current activities, the Legislature requested, as part of the 2005-06 budget, a comprehensive review of the department's activities, funding sources, and measured outcomes for each of its programs. The Legislature may wish to review this report to evaluate the funding needed by the department to meet statutory mandates.

**Marine Life Protection Act Implementation.** The administration has formed a Blue Ribbon Task Force to prepare statewide guidelines for developing a marine protected area master plan; create a pilot project along the Central Coast; develop a funding strategy for long-term implementation of the MLPA; and make recommendations for improving the coordination of marine protected areas. A draft report on the options for funding the MLPA initiative was recently released. The Legislature may wish to follow-up on the options presented in this plan, and on the department's implementation of the MLPA, including a specific timeline for completing the plan.

### 3640 Wildlife Conservation Board

**Background.** The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

**Governor's Budget.** The Governor's Budget proposes \$40 million to support the WCB in the budget year. This is over a 90 percent reduction from estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation. General Fund support for the board remains unchanged in the budget year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
State Operations	\$6,102	\$3,655	-\$2,447	-40.1
Capital Outlay	543,804	36,423	-507,381	-93.3
<b>Total</b>	<b>\$549,906</b>	<b>\$40,078</b>	<b>-\$509,828</b>	<b>-92.7</b>
<b>Funding Source</b>				
General Fund	\$195	\$195	\$0	0.0
Special Funds	20,814	5,122	-15,692	-75.4
Bond Funds	512,342	34,761	-477,581	-93.2
<i>Budget Act Total</i>	<i>533,351</i>	<i>40,078</i>	<i>-493,273</i>	<i>-92.5</i>
Reimbursements	11,555	-	-	-
Oak Woodlands Conservation Fund	5,000	-	-	-
<b>Total</b>	<b>\$549,906</b>	<b>\$40,078</b>	<b>-\$509,828</b>	<b>-92.7</b>

### Highlights

**Habitat Conservation Fund Acquisitions.** The Governor proposes \$21 million for acquisition, restoration, and enhancement of habitat from the Habitat Conservation Fund. This funding is required by Proposition 117, the California Wildlife Protection Act of 1990 that, among other things, requires an annual General Fund transfer to the Habitat Conservation Fund unless other funding sources are available. The administration proposes to use a combination of Proposition 50 bond funds (\$17.7 million) and Unallocated Cigarette and Tobacco Product Surtax (\$3.3 million) to satisfy this obligation in the budget year.

## 3680 Department of Boating and Waterways

**Background.** The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

**Governor's Budget.** The Governor's Budget proposes \$1.3 million to support DBW, which is approximately the same level of funding estimated for expenditure in the current year. (The

majority of DBW's budget is not subject to appropriation in the budget act.) The department is not supported by the General Fund.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Boating Facilities	\$51,160	\$51,970	\$810	1.6
Boating Operations	16,047	18,806	2,759	17.2
Beach Erosion Control	1,423	1,625	202	14.2
Capital Outlay			0	0.0
Administration	2,350	2,350	0	0.0
<i>less distributed administration</i>	<i>-2,350</i>	<i>-2,350</i>	<i>0</i>	<i>0.0</i>
<b>Total</b>	<b>\$68,630</b>	<b>\$72,401</b>	<b>\$3,771</b>	<b>5.5</b>
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Special Funds	500	1,250	750	150.0
<i>Budget Act Total</i>	<i>500</i>	<i>1,250</i>	<i>750</i>	<i>150.0</i>
Federal Trust Fund	8,111	8,111	0	0.0
Reimbursements	1,015	8,111	0	0.0
Harbors & Watercraft Revolving Fund	59,004	62,025	3,021	5.1
<b>Total</b>	<b>\$68,630</b>	<b>\$72,401</b>	<b>\$3,771</b>	<b>5.5</b>

### Highlights

**Funding for Public Small Craft Harbor Loans.** The Governor proposes \$21 million in special funds for loans to develop new marinas and expand and rehabilitate existing marinas.

**Funding for Launching Facility Grants.** The Governor proposes \$9.6 million in special funds for grants for the construction of launching ramps and other facilities used when launching boats.

**Funding for Private Recreational Marina Loans.** The Governor proposes \$3.5 million in special funds for loans to fund private recreational marinas.

**Funding for Beach Erosion Studies.** The Governor proposes \$1.4 million in special funds for statewide beach erosion studies and funding for beach erosion control projects.

**Funding for Marine Law Enforcement Grants.** The Governor proposes \$2.5 million in special funds for grants to local law enforcement for enhanced marine law enforcement activities.



## 3720 California Coastal Commission

**Background.** The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

**Governor's Budget.** The Governor's Budget proposes \$11.2 million for support of the Coastal Commission in 2006-07. This is approximately the same as estimated expenditures in the current year. General Fund support for the department is also proposed to stay at the same level.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Coastal Management Program	\$14,795	\$14,687	-\$108	-0.7
Coastal Energy Program	716	719	3	0.4
Administration	1,613	1,624	11	0.7
<i>less distributed administration</i>	<i>-1,532</i>	<i>-1,543</i>	<i>-11</i>	<i>0.0</i>
Total	\$15,592	\$15,487	-\$105	-0.7
<b>Funding Source</b>				
General Fund	\$9,935	\$9,845	-\$90	-0.9
Special Funds	1,358	1,314	-44	-3.2
<i>Budget Act Total</i>	<i>11,293</i>	<i>11,159</i>	<i>-134</i>	<i>-1.2</i>
Federal Trust Fund	3,021	3,040	19	0.6
Reimbursements	1,279	1,288	9	0.7
Total	\$15,593	\$15,487	-\$106	-0.7

### Issues

**Improving Coastal Access and Development Mitigation.** The LAO has found the commission's tracking and reporting of "offers to dedicate" (OTD) could be improved. The Legislature provided additional funding to track and accept these offers in the 2005-06 budget, but these funds were vetoed by the Governor. Nevertheless, the Legislature requested that the commission prepare a report on the universe of OTDs that have not yet been accepted by a third

party. An OTD is typically available to develop for a period of 21 years and many OTDs are set to expire in the next few years. The Legislature may wish to review this report and determine the level of staffing needed to ensure OTDs do not expire.

**Coastal Energy-Related Activities.** The commission's workload related to energy-related projects has increased significantly over the past few years. The commission is responsible for reviewing the dozens of marine oil terminal leases and several proposals to site a new liquefied natural gas facility off the coast of southern California. However, the commission's resources have not been augmented to address this increased workload. The Legislature provided additional funding to address this need in the 2005-06 budget, but it was vetoed by the Governor. The Legislature may wish to evaluate the commission's workload and determine whether additional funding is warranted.

### 3790 Department of Parks and Recreation

**Background.** The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

**Governor's Budget.** The Governor's Budget proposes \$344 million to support DPR in 2006-07. This is about a 50 percent reduction from estimated expenditures in the current year due to a reduction in the bond funds available for appropriation. General Fund support for the department is proposed to increase by about 12 percent reflecting a budget proposal to fund remediation activities at the Empire Mine State Historic Park.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Support of the Department of Parks and Recreation	\$338,672	\$336,203	-\$2,469	-0.7
Local Assistance Grants	223,719	45,369	-178,350	-79.7
Capital Outlay	274,412	29,405	-245,007	-89.3
<b>Total</b>	<b>\$836,803</b>	<b>\$410,977</b>	<b>-\$425,826</b>	<b>-50.9</b>
<b>Funding Source</b>				
General Fund	\$101,140	\$112,784	\$11,644	11.5
Special Funds	270,610	200,625	-69,985	-25.9
Bond Funds	327,494	30,864	-296,630	-90.6
<i>Budget Act Total</i>	<i>699,244</i>	<i>344,273</i>	<i>-354,971</i>	<i>-50.8</i>
Federal Trust Fund	79,666	31,672	-47,994	-60.2
Reimbursements	56,944	34,060	-22,884	-40.2
Harbors and Watercraft Revolving Fund	689	712	23	3.3
California Missions Foundation Fund	260	260	0	0.0
<b>Total</b>	<b>\$836,803</b>	<b>\$410,977</b>	<b>-\$425,826</b>	<b>-50.9</b>

### Highlights

**Infrastructure Bond.** The Governor's Strategic Growth Plan includes \$215 million from new general obligation bonds for health and safety infrastructure upgrades to existing park facilities. These funds are included in the Governor's critical infrastructure facilities bond (SB 1163, Ackerman). The budget does not assume expenditure of these bond funds in 2006-07.

**American's with Disabilities Act Implementation.** The Governor's Budget proposes \$11.8 million (\$11.2 million General Fund) to fund the multi-year effort to make existing state park facilities compliant with the American's with Disabilities Act (ADA). This is year five of the multi-year effort to modify park properties to comply with ADA.

**Remediation Measures at Empire Mine.** The Governor's Budget proposes \$5 million General Fund for contamination remediation measures at the Empire Mine State Historic Park.

**Funding for Critical Water Infrastructure Upgrades.** The Governor's Budget proposes \$1.4 million General Fund to augment the department's ongoing efforts to ensure safe drinking water

and wastewater systems at park facilities. These upgrades are required to comply with state water quality and drinking water requirements.

**Various Park Grants.** The Governor's Budget proposes \$45 million in local park grants. The funding is proposed for allocation to the following activities:

- \$2.7 million for recreational grants from the Habitat Conservation Fund.
- \$1.5 million for the Monterey Peninsula Regional Park District from the Habitat Conservation Fund.
- \$18 million for Off-Highway Vehicle grants from the Off-Highway Vehicle Trust Fund.
- \$1.7 million for Off-Highway Vehicle grants from the Recreational Trails Fund.
- \$7 million for recreational grants from the Recreational Trails Fund.
- \$13 million for recreational grants from federal funds.
- \$1.2 million for historic preservation grants from federal funds.
- \$260,000 for historic preservation grants from the California Missions Foundation Fund.

### ***Issues***

**Infrastructure Bond.** The department estimates that its backlog of deferred maintenance for the state park system is around \$900 million. Furthermore, the acquisition of new park properties in the past few years has resulted in additional resource needs, to open and develop facilities for the public to enjoy. The Legislature may wish to evaluate the Governor's bond proposal to determine whether additional funding beyond the \$215 million proposed is needed to address state infrastructure needs in the park system.

## **3860 Department of Water Resources**

**Background.** The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy

procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this report.)

**Governor's Budget.** The Governor's Budget proposes \$445 million to support DWR in the budget year. This is 14 percent less than estimated expenditures in the current year due to a reduction in the amount of resources bond funds available for appropriation. General Fund support for the department is proposed to increase by \$17 million to fund increases to the department's flood management activities and the lining of the All-American and Coachella canals.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
California Water Plan	\$283,401	\$251,575	-\$31,826	-11.2
State Water Project Infrastructure	808,972	800,060	-8,912	-1.1
Public Safety and Prevention of Damage	216,458	152,348	-64,110	-29.6
Services	7,301	8,729	1,428	19.6
California Energy Resources Scheduling	5,275,449	5,036,366	-239,083	-4.5
Capital Outlay	205,508	207,995	2,487	1.2
Administration	63,700	63,700	0	0.0
<i>less distributed administration</i>	<i>-63,700</i>	<i>-63,700</i>	<i>0</i>	<i>0.0</i>
Loan Repayment Program	-4,013	-4,013	0	0.0
<b>Total</b>	<b>\$6,793,076</b>	<b>\$6,453,060</b>	<b>-\$340,016</b>	<b>-5.0</b>
<b>Funding Source</b>				
General Fund	\$230,233	\$247,252	\$17,019	7.4
Special Funds	10,313	12,068	1,755	17.0
Bond Funds	274,810	185,528	-89,282	-32.5
<i>Budget Act Total</i>	<i>515,356</i>	<i>444,848</i>	<i>-70,508</i>	<i>-13.7</i>
Federal Trust Fund	12,842	12,546	-296	-2.3
State Water Project Funds	948,614	923,155	-25,459	-2.7
DWR Electric Power Fund	5,275,449	5,036,366	-239,083	-4.5
Bosco-Keene Renewable Resources Investment Fund	20	-	-	-
Reimbursements	40,795	36,145	-4,650	-11.4
<b>Total</b>	<b>\$6,793,076</b>	<b>\$6,453,060</b>	<b>-\$340,016</b>	<b>-5.0</b>

**Highlights**

**Infrastructure Bond.** The Governor's Strategic Growth Plan includes \$35 billion for flood control and water supply investments. The bond funds are allocated as follows:

- \$6 billion is proposed for flood control, including \$2.5 billion from new general obligation bonds.
- \$29 billion is proposed for integrated regional water management projects, including \$6.5 billion from new general obligation bonds and \$5 billion from a new monthly fee on retail water agencies.

These bonds are included in the Governor's flood protection and water bond (SB 1166, Aanestad). The Governor's infrastructure bond proposal also includes a proposal for a new Water Resources Investment Fund supported by a monthly fee on retail water agencies. This fee is based on the number of household water connections in each retail water agency and is estimated to raise \$5 billion over the next 10 years. The fee would be used to fund water infrastructure improvements similar to those being proposed for funding from bond funds. The budget does not assume expenditure of bond funds or fee revenues from the Water Resources Investment Fund in 2006-07.

**Expands Flood Management Activities.** The Governor's Budget proposes \$35 million General Fund to implement the second year of a three-year plan to prevent flooding in the Central Valley. This funding is for maintenance, evaluation, and rehabilitation of the Central Valley levee system. Funds are also provided for improved emergency response and updating floodplain maps.

Of the total provided for flood management, \$15 million is for CALFED-related levee upgrades funded through the Delta Levee Subvention program and to fund a one-time Delta Risk Management Study.

**Funding for Central Valley Flood Projects.** The Governor's Budget proposes \$41 million (\$31.4 million General Fund) for various capital outlay flood control projects in the Central Valley. Funding is allocated for the following projects:

- Folsom Dam Modifications (\$19.5 million).
- American River Common Features Project (\$9.2 million).
- Folsom Dam – Bridge Element (\$6.8 million).
- Sacramento River Bank Protection Project (\$4.9 million).
- American River Natomas Features Project (\$496,000).
- Upper Sacramento River Levee Restoration Project (\$484,000).

**All-American Canal Lining.** The Governor's Budget proposes \$84 million General Fund for the lining of the All-American and Coachella Canals. This funding is consistent with the Quantification Settlement Agreement to reduce California's use of Colorado River water.

**CALFED Water Use Efficiency Program.** The Governor's Budget includes \$32 million in Proposition 50 bond funds to provide grants and technical assistance to local water districts for water use efficiency projects.

**CALFED Ecosystem Restoration Program.** The Governor's Budget includes \$15.7 million in Proposition 13 bond funds to implement various ecosystem restoration program projects, including the San Joaquin River deep water ship channel demonstration aeration project.

**CALFED Surface Storage Program.** The Governor's Budget includes \$8.4 million in various bond funds to fund the CALFED Surface Storage Program. Funding is allocated to the following projects:

- Common Assumptions (\$1.3 million).
- North of Delta Storage – Sites Reservoir (\$3.1 million).
- Los Vaqueros Reservoir Enlargement (\$1 million).
- Upper San Joaquin River Storage (\$1 million).
- San Luis Low Point Bypass Feasibility Study (\$2 million).

**CALFED Water Quality Program.** The Governor's Budget includes \$6.5 million in various bond funds to support development of the Franks Tract Pilot Project.

**CALFED Conveyance Program.** The Governor's Budget includes \$5.5 million in Proposition 13 bond funds to continue evaluation and implementation of fish facility improvements at State Water Project and Central Valley Project fish collection facilities located in the South Delta. Funding will also be used to study the need for a Through-Delta facility on the Sacramento River to improve water quality in the Delta at the export facilities.

**CALFED Watershed Program.** The Governor's Budget includes \$667,000 in Proposition 50 bond funds to provide technical assistance to local watershed stewardship efforts.

**Agricultural Water Conservation Loan Program.** The Governor's Budget includes \$15 million in Proposition 13 bond funds to continue the Agricultural Water Conservation Loan Program.

**Fully Funded Watermaster Program.** The Governor's Budget includes \$1.4 million in reimbursement authority to support 7.5 positions to fully fund the department's watermaster service program from fees paid by water right holders. This program regulates streams and groundwater basins that have court adjudications or agreements.

**San Joaquin River Restoration.** The Governor's Budget includes \$1 million in Proposition 13 bond funds to conduct a state lead program to investigate non-flow related restoration actions for the San Joaquin River, including developing water supply alternatives, water quality, hydrology, water temperature, and fish habitat restoration. The amount of water required to restore the San Joaquin River is currently the subject of litigation involving the Bureau of Reclamation, the Friant Water User Authority, and the Natural Resources Defense Council.

## Issues

**Infrastructure Bond.** The Governor's Strategic Growth Plan for water contains a significant amount of new policy regarding funding flood management and water supply projects. The Legislature may wish to review these policies and determine whether they are consistent with the Legislature's policy goals. Specifically, the Legislature may wish to evaluate specific matching rates proposed in the bond to cost share projects and the incentives that result from the proposed funding structures. The Legislature may also wish to review the benefits of the projects proposed for funding, including potential benefits to the environment and water supply. This review will help to determine what activities and projects are most appropriate for state general obligation bond funding versus other funding sources. Furthermore, the Legislature may wish to evaluate the role it will play in determining what projects are ultimately built by the bond. In the water bond proposal, the Department of Water Resources would have the ultimate authority to determine what projects get funded with large amounts of the bonding authority.

**Funding Flood Management Activities.** In 2005, the administration put forward several recommendations for improving the state's ability to fund flood control in the Central Valley, including legislation to create a new assessment district and require mandatory notification for those households living behind levees. These recommendations and others are not proposed for implementation in the budget year. Adequate funding for flood control upgrades and maintenance in the Central Valley is important not only to protect life and property, but also to protect the state from the costs associated with a major levee failure. *Paterno v. State of California* has made the state potentially liable for damages resulting from any levee failure within the Sacramento River flood control area. This is a huge financial liability and the state has limited control over some factors that are driving the size of the liability. For example, the state has limited authority over land use behind levees. Many of the levees in the Central Valley were originally built to protect agricultural land and are not adequate to protect population centers. The Legislature may wish to evaluate the best mix of statutory changes and funding augmentations needed to protect the public and limit the state's financial liability.

## 3870 California Bay-Delta Authority

**Background.** Pursuant to a federal-state accord signed in 1994, CALFED was administratively created as a consortium of state and federal agencies that have regulatory authority over water and resource management responsibilities in the Bay-Delta region. The CALFED program now encompasses 12 state and 13 federal agencies. The objectives of the program are to: (1) provide good water quality for all uses; (2) improve fish and wildlife habitat; (3) reduce the gap between water supplies and projected demand; and (4) reduce the risks from deteriorating levees.

After five years of planning, CALFED began to implement programs and construct projects in 2000. The program's implementation—which is anticipated to last 30 years—is guided by the "Record of Decision" (ROD). The ROD represents the approval of the lead CALFED agencies of the final environmental review documents for the CALFED "plan." Among other things, the ROD lays out the roles and responsibilities of each participating agency, sets goals for the program and types of projects to be pursued, and includes an estimate of the program's costs for its first seven years. In the ROD, these costs are projected to total \$8.5 billion for the program's



first seven years (2000-01 through 2006-07). This amount has recently been revised upward to \$9.2 billion.

The California Bay-Delta Authority (BDA) oversees the CALFED program. Among the duties of BDA are the annual review and approval of long-term expenditure plans of the implementing agencies and the preparation of a comprehensive program budget proposal.

**Governor's Budget.** The Governor's Budget proposes \$14 million to support BDA in 2006-07, which is \$112 million less than estimated expenditure levels in the current year. This decrease is primarily due to the reduction in bond funds available for appropriation and the transfer of the Ecosystem Restoration Program to the Department of Fish and Game.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
CALFED Program	\$143,372	\$31,232	-\$112,140	-78.2
<b>Total</b>	<b>\$143,372</b>	<b>\$31,232</b>	<b>-\$112,140</b>	<b>-78.2</b>
<b>Funding Source</b>				
General Fund	\$8,518	\$8,517	-\$1	0.0
Bond Funds	117,969	5,830	-112,139	-95.1
<i>Budget Act Total</i>	<i>126,487</i>	<i>14,347</i>	<i>-112,140</i>	<i>-88.7</i>
Federal Trust Fund	-	-	-	-
Reimbursements	16,885	16,885	0	0.0
<b>Total</b>	<b>\$143,372</b>	<b>\$31,232</b>	<b>-\$112,140</b>	<b>-78.2</b>

### Highlights

**CALFED Bay-Delta Program.** The Governor's Budget proposes \$250 million (\$26 million General Fund) for the state share of the CALFED Program. This is about \$75 million less than estimated expenditures in the current year due to a reduction in resources bond funds available for appropriation. General Fund support for the program is estimated to increase by nearly \$15 million in the budget year due to increases in funding for delta levees.

A new 10-year Action Plan Framework for the CALFED Bay-Delta Program was released in December 2005. The proposed plan recommends changes in the following categories:

- **Governance.** The Governor proposes to eliminate the Bay-Delta Authority and reestablish a policy group chaired by the Secretary for Resources and the federal lead appointed by the Secretary of the Interior. The plan also calls for establishing independent oversight of the CALFED program and a state/federal advisory committee to inform the new policy group. Bay-Delta Authority staff are proposed to be transferred to the Resources Agency.

- **Program and Fiscal Management.** The Governor proposes to reorganize the Bay-Delta Authority staff to focus on strategic planning and implement new performance-based program management of the CALFED program. The plan also calls for standardizing fiscal management and tracking systems, developing a communications plan, and establishing science based performance measures to allow for adaptive management of the program.
- **Refocused Program Priorities.** The Governor proposes to organize the activities under the CALFED program into two categories: (1) CALFED-Delta actions and (2) Integrated Regional Water Management actions. CALFED-Delta actions generally have a direct effect on the Delta, while the other actions have a broader statewide focus. The plan calls for greater focus on CALFED-Delta actions.
- **Updated Implementation Schedules.** The Governor proposes an updated implementation schedule for major actions called for in the 2000 Record of Decision that are remaining through 2010.
- **Create 100-Year Delta Vision.** The Governor proposes to convene a panel of scientists to evaluate the latest information relative to the Delta. This information will be used to inform a larger public process to determine the 100-year vision for the Delta, including land use and transportation.
- **Develop New Conservation Plans.** The Governor proposes to develop Habitat Conservation Plans and Natural Communities Conservation Plans to address endangered species issues in the Sacramento River, San Joaquin River, and San Francisco Bay Delta.
- **Develop Near-Term Funding Plan.** The Governor proposes to develop a funding plan for the next three years of the CALFED program. The administration indicates that of the \$1 billion required over the next three years, roughly 75 percent of the funding is in place. Actions will need to be taken to obtain the remaining 25 percent, including additional water user contributions.

Details on how the proposed changes will be implemented have not been submitted to the Legislature. Some of the actions will require legislation. The table below provides a summary of the entire CALFED program, including funding by program element, state department, and fund source.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Expenditures by Program Elements</b>				
Ecosystem Restoration	\$162,155	\$32,349	-\$129,806	-80.1
Environmental Water Account	9,052	8,970	-82	-0.9
Water Use Efficiency	28,567	62,115	33,548	117.4
Water Transfers	-	-	-	-
Watershed	11,791	8,658	-3,133	-26.6
Water Quality	1,043	19,387	18,344	1758.8
Levees	19,164	18,513	-651	-3.4
Storage	8,778	8,612	-166	-1.9
Conveyance	34,398	66,629	32,231	93.7
Science	34,724	10,524	-24,200	-69.7
Water Supply Reliability	6,868	6,806	-62	-0.9
Oversight and Coordination	7,499	7,375	-124	-1.7
<b>Total</b>	<b>\$324,039</b>	<b>\$249,938</b>	<b>-\$74,101</b>	<b>-22.9</b>
<b>Expenditures by Department</b>				
Department of Water Resources	\$125,000	\$210,258	\$85,258	68.2
California Bay-Delta Authority	126,487	14,347	-112,140	-88.7
State Water Resources Control Board	1,634	19,189	17,555	1074.4
Department of Fish and Game	67,222	5,448	-61,774	-91.9
Department of Forestry and Fire Protection	154	159	5	3.2
Department of Conservation	3,330	324	-3,006	-90.3
Department of Health Services	125	125	0	0.0
San Francisco Bay Conservation Development Commission	88	88	0	0.0
<b>Total</b>	<b>\$324,040</b>	<b>\$249,938</b>	<b>-\$74,102</b>	<b>-22.9</b>
<b>Expenditures by Fund Source</b>				
General Fund	\$11,477	\$26,449	\$14,972	130.5
Proposition 204	29,025	1,575	-27,450	-94.6
Proposition 13	18,921	73,782	54,861	289.9
Proposition 50	232,689	105,847	-126,842	-54.5
State Water Project	29,705	39,015	9,310	31.3
Other State Funds	2,223	3,270	1,047	47.1
<b>Total</b>	<b>\$324,040</b>	<b>\$249,938</b>	<b>-\$74,102</b>	<b>-22.9</b>

**Issues**

**Financing the CALFED Program.** Concerns remain regarding how the CALFED program will be financed over the long-term. The CALFED 10-year action plan proposes funding the program primarily from existing resources bond funds over the next several years. Proceeds from the proposed infrastructure bond proposal would play a role in financing the CALFED program, if approved, as would the proceeds from a new Water Resource Investment Fund fee. However, the administration's proposal is not specific about how these funding sources would be used and whether they will be sufficient for funding a balanced CALFED program. The Legislature may wish to continue its review and evaluation of a sustainable funding structure for the CALFED Program, including the application of the beneficiary-pays principle included in the CALFED Record of Decision.

**Regional Conservancies**

**Background.** In order to promote the conservation of its land resources, the state has created eight regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, which are charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general, the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

**Governor's Budget.** The Governor's Budget proposes \$76 million for the state's nine regional conservancies. This is nearly 75 percent less than estimated expenditures in the current year due to a reduction in the amount of resources bond funds available for appropriation.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
3125 - California Tahoe Conservancy	\$47,128	\$25,271	-\$21,857	-46.4
3760 - State Coastal Conservancy	184,887	33,599	-151,288	-81.8
3810 - Santa Monica Mountains Conservancy	22,613	9,241	-13,372	-59.1
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	10,831	3,339	-7,492	-69.2
3830 - San Joaquin River Conservancy	372	434	62	16.7
3835 - Baldwin Hills Conservancy	23,213	415	-22,798	-98.2
3845 - San Diego River Conservancy	272	292	20	7.4
3850 - Coachella Valley Mountains Conservancy	5,163	272	-4,891	-94.7
3855 - Sierra Nevada Conservancy	3,381	3,462	81	2.4
<b>Total</b>	<b>\$297,860</b>	<b>\$76,325</b>	<b>-\$221,535</b>	<b>-74.4</b>

### **Highlights**

**Tahoe Environmental Improvement Program Implementation.** The Governor's Budget provides \$21 million to the California Tahoe Conservancy to implement the Environmental Improvement Program (EIP) for the Tahoe Basin in the budget year. This is the same level of funding as was provided in the current year. This level of funding satisfies the state's commitment to this program.

### **Issues**

**Sierra Nevada Conservancy Start Up.** The 2005-06 budget year was the first full year of funding for the new Sierra Nevada Conservancy. The Legislature requested, as part of the 2005-06 budget, that the Sierra Nevada Conservancy prepare a report on the total funding needed to support its programs after one-time costs associated with the start up of the conservancy were completed. The Legislature may wish to review this report to determine whether adjustments should be made to the conservancy's budget for 2006-07.